

# **CITY OF GERMANTOWN**

## **FISCAL YEAR 2012 BUDGET**

**July 1, 2011 – June 30, 2012**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

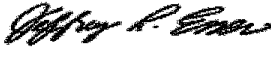
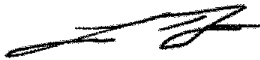
*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Germantown  
Tennessee**

For the Fiscal Year Beginning

**July 1, 2010**



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Germantown, Tennessee for its annual budget for the fiscal year beginning July 1, 2010.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

## READER'S GUIDE

The budget document is organized in 11 sections.

**Introduction.** Separate letters from the Mayor and the City Administrator, transmitting the FY12 Budget document. General information about the City. The Board of Mayor and Aldermen's Policy Agenda, listing major objectives. City Financial Policies, a guide in preparation and management of the Budget.

**Budget Summaries.** An overview of the FY12 Budget. Total expenditure overview and summaries by major category and by cost center in six major operating funds: General, Utility, Germantown Athletic Club, Great Hall, Sanitation and Stormwater. Graphs/charts of revenues and expenditures, CIP projects, Infrastructure Replacement Program (IRP) lists, personnel staffing, special revenue funds, internal service funds and fiduciary funds.

**General Government.** Operating budget for several departments including Administration, Finance and General Services, Fleet Services, Economic Development. Specific cost centers and program description including overview, mission and FY12 objectives, performance measurements, budget category summary, personnel projections and category explanations. (Basic department and cost center information also found in other sections).

**Public Safety.** Information about operation budgets for the Police Department, Automated Enforcement, Drug Asset Forfeiture, Federal Asset Forfeiture, Fire Department, and Ambulance.

**Transportation and Environment.** Operating Budget for all transportation and environment cost centers, including Public Services, State Street Aid, and Animal Control.

**Sanitation.** Information for the operating budget for the Sanitation Fund, an enterprise fund and incorporating the cost for both the collection and disposal of solid waste.

**Stormwater Management.** Information for the operating budget for the Stormwater Management Fund, an enterprise fund.

**Community Services.** Information about the operating budgets for Parks and Recreation, Library Services, Pickering Center and Cultural Arts. In addition, budgets are included for Germantown Athletic Club and the Great Hall, both enterprise funds.

**Utilities.** Information about operating budgets for all utility cost centers, including Water Operations, Sewer Operations, Sewage Treatment and Utility Debt Service. In addition, the budget is included for the newly created Stormwater Fund, an enterprise fund.

**Capital Improvements Program Summary.** General overview of the CIP, divided in five categories: General Government, Major Roads, Intersections/Other/Drainage, Parks, Germantown Athletic Club and Utilities. (Complete listing of 2011 projects and five-year CIP projection in Budget Summary section).

**Revenues and Other Information.** Specific information regarding revenue sources for General Fund and five enterprise funds. Significant accounting principles and policies followed by the City in the administration and development of the budget. Glossary of governmental budgeting and accounting terms.

## TABLE OF CONTENTS

---

### **INTRODUCTION**

Reader's Guide.....	
Table of Contents.....	
Mayor's Letter.....	
City Administrator's Letter.....	
General Information and Statistical Data.....	
Location Map.....	

Organization Chart.....	
City Officials Roster.....	
Philosophy Statement.....	
2010-4 Budget Ordinance.....	
FY11 Policy Agenda.....	
Business Plans.....	
Performance Measurement.....	
Financial Policies.....	
Condensed Budget Calendar.....	

### **BUDGET SUMMARIES**

Total Expenditure Budget.....	
General Fund Budget.....	
Utility Fund Budget.....	
Athletic Club Fund Budget.....	
Great Hall Fund Budget.....	
Sanitation Fund Budget.....	
Stormwater Management Fund .....	
Capital Projects Summary.....	
Infrastructure Replacement Program Summary.....	
Discussion of General Fund Reserves.....	
Budget Projection Summaries.....	
Personnel and Staffing.....	

### **GENERAL GOVERNMENT**

Aldermen.....	
Civic Support.....	
Court.....	
Administration.....	
Human Resources.....	
Information Technology.....	
Germantown Performing Arts Centre.....	
Financial Services.....	
Allocated Expenses.....	
General Debt Service.....	
Economic and Community Development.....	
Research and Budget.....	
Facility Services.....	
Fleet Services.....	

### **PUBLIC SAFETY**

Police.....	
Automated Enforcement.....	
Drug Asset Forfeiture.....	
Federal Asset Forfeiture.....	
Fire.....	
Ambulance.....	

### **TRANSPORTATION & ENVIRONMENT**

Public Services.....	
State Street Aid.....	
Animal Control.....	

### **SANITATION**

Sanitation.....	
-----------------	--

### **STORMWATER MANAGEMENT**

Stormwater Management.....	
----------------------------	--

### **COMMUNITY SERVICES**

Parks and Recreation.....	
Recreation.....	
Cultural Arts Projects.....	
Pickering Center.....	
Library Services.....	
Germantown Athletic Club.....	
Great Hall.....	

### **UTILITIES**

Utility Debt Service.....	
Water Operations.....	
Sewer Operations.....	
Sewage Treatment.....	

### **CAPITAL IMPROVEMENTS PROGRAM**

### **REVENUES & OTHER INFORMATION**

Revenues.....	
Significant Accounting Policies.....	
Glossary of Terms.....	
City of Germantown Citizen Boards.....	



# CITY OF GERMANTOWN TENNESSEE

1930 South Germantown Road • Germantown, Tennessee 38138-2815  
Phone (901) 757-7200 Fax (901) 757-7292 [www.ci.germantown.tn.us](http://www.ci.germantown.tn.us)

**(Mayor's Letter to be added)**



# CITY OF GERMANTOWN TENNESSEE

1930 South Germantown Road • Germantown, Tennessee 38138-2815  
Phone (901) 757-7200 Fax (901) 757-7292 www.ci.germantown.tn.us

May 2011

Board of Mayor and Aldermen  
Financial Advisory Commission  
City of Germantown, Tennessee

This letter transmits the Budget for the fiscal year beginning July 1, 2011. In setting the City's annual financial and spending plan, the adoption of the budget is the most significant action taken by the Board of Mayor and Aldermen each year. It authorizes the allocation of resources and establishes the direction for programs and services for our "triple-A" rated city for the coming year and the five-year planning period.

## THE FISCAL YEAR 2012 BUDGET

The FY12 Budget is balanced and totals \$73.2 million for all funds with the City's General Fund totaling \$39.5 million. The balanced budget is the result of ongoing departmental cost control, efficiency measures implemented even before the start of the recession and a property tax increase of \$0.15, designed to ensure our financial health as the recovery continues to gather strength.

Significant elements in the budget include the establishment of a full-time in-house ambulance operation, design and expansion of the Germantown Community Library and replacement of the public safety radio system. The last property tax adjustment was implemented in FY04 and was intended to last five years. However, careful management and strict financial policies have allowed the City to operate without a tax increase for eight instead of the intended five years.

Managing the tax rate over the past eight years has presented unique challenges including unanticipated expenditure increases and threats to our existing operating revenues. In 2004, Shelby County Government removed countywide funding and support for library services. Germantown residents place a premium on their community library and, as a result, Germantown City Government assumed full operation of the library under a contract with LSSI (an independent contractor) which added \$1.3 million to the City's operating budget. In 2008, the global economic meltdown manifested itself locally in the form of significant reductions in the City's operating revenues from state and local sales taxes, investment income and property taxes. Finally, changes to financial reporting systems required all municipalities to come into compliance with GASB 45. The result was the creation of the OPEB trust fund requiring annual contributions from the City in the amount of \$923,696 in FY12.

The FY12 Budget continues to support the Vision 2020 plan adopted by the Board of Mayor and Aldermen. In January the Board of Mayor and Aldermen revisited and refined this strategic plan and vision for our community. That effort reinforced our triple bottom line commitment to economic, environmental and social sustainability. The programs and services included in this year's budget continue to support this policy direction given by the Board of Mayor and Aldermen.

## GERMANTOWN ECONOMY AND FINANCIAL OUTLOOK

Any discussion today on the state of the economic recovery is a mixed metaphor in terms of the direction most key economic indicators are pointing. For example, the national unemployment rate recently fell to 8.8 percent. This decline would suggest the recovery is speeding along. Contrast this with the fact that this job recovery has been the weakest of the past four recessions and we are still seven million jobs away from prerecession levels suggesting the number of jobs is increasing at a snail's pace.

Elastic tax revenues such as local and state sales taxes have snapped back nationally to almost prerecession levels, a strong indicator of economic health particularly in states like Tennessee that are so dependent on sales tax revenues. In Germantown, the local option sales tax revenue increased 9.7 percent in fiscal year 2011 from the prior year and the state sales tax allocation grew 3.7 percent for the same period. On the flip side of this good news is the fact that consumer prices rose in February and March and could possibly put a squeeze on the consumer spending necessary to fuel the recovery. Locally, we can expect to

see this impact basic commodity and energy prices, in particular petroleum-based products such as gasoline, diesel fuel and asphalt. According to the Conference Board, increased gasoline prices, natural disasters and global political unrest has caused a once bright consumer confidence level to dim. From February to March this year, consumer confidence fell 8.6 points.

Although there is every indication that the economy is stronger and Germantown's financial outlook has improved dramatically from this time last year, the recovery still appears to be delicate. We will continue to rely on our financial indicators and monitor these leading economic indicators on a monthly basis.

#### FINANCIAL SUSTAINABILITY THROUGH ADVERSITY

At the start of fiscal year 2007 Germantown City officials began to see a retreat from what we considered "normal" for our community. Reduced housing starts and a decline in investment income and sales tax revenue caused us to critically examine our service delivery options and expenditures. As a result, we quickly embraced the practice of managed competition and applied those principles to a build-out scenario for our community. Our managed competition program focuses on cost control and reductions and, when appropriate, reengineering procedures or outsourcing. Annual budgets are now driven by cost savings with an emphasis on City departments operating as a business with a focus on customers and quality of service. From fiscal year 2007 through the recession and continuing into the proposed fiscal year 2012 budget, the City has made a commitment to taxpayers to control and reduce costs without sacrificing core services or service quality. The following are examples of cost saving measures resulting in over \$3.1 million in ongoing annual savings.

•	Reduced staff by 18.60 FTEs through a re-examination of cost efficient alternatives	(\$ 963,000)
•	Wage freeze for all executive management staff in fiscal year 2009	(\$ 38,000)
•	Modification to health insurance benefits	(\$1,200,000)
•	Reduced operating expenses in major expenditure categories such as professional fees, other maintenance, supplies and capital outlay	(\$ 614,300)
•	Debt service savings and refinancing	(\$ 307,000)
	TOTAL	(\$3,122,300)

Without these cost saving measures the property tax adjustment adopted for fiscal year 2004 would have been unsustainable, resulting in dramatic cost and service delivery reductions. A property tax adjustment during the worst recession in forty years would have been unavoidable. But that was not the case. Residents have witnessed numerous capital and service enhancement initiatives move forward during this challenging period of time at the same tax rate. Examples of these activities include:

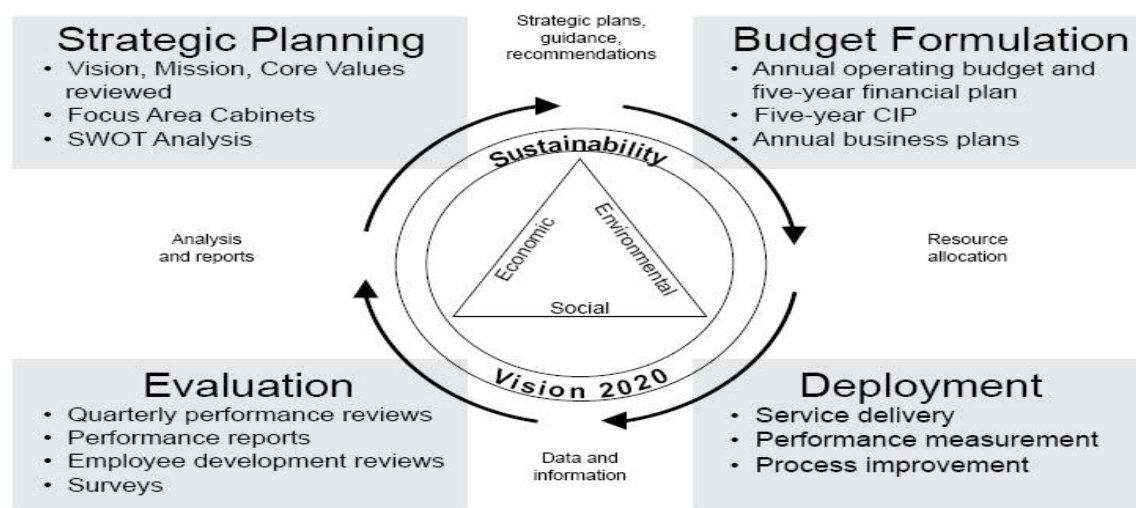
- Police Department Uniform Patrol Division – Added six new police officers and created a sixth district to enhance law enforcement services citywide
- Fire Station 4 Replacement – Replacing the station on Forest Hill constructed in the 1960s with a state-of-the-art facility built to LEED standards, it is scheduled to open July 2011. The new station will house the City's backup emergency operations center.
- Purchase of 77-foot aerial ladder truck – Designed to enhance our fire fighting capabilities, this truck will handle emergency response for multistory buildings and other high risk structures.
- Neighborhood Planning Initiative – Upgrades to the public infrastructure in several older neighborhoods, including new water and sewer lines, road reconstruction and street signs were designed and constructed.
- Johnson Road Water Treatment Plant Expansion – This 12 million gallon per day water distribution facility was brought on line in fiscal year 2010 with minimal impact on the operating cost for water treatment and production.
- Technology Upgrade and New Services – A new internal work order and monitoring system was deployed to improve customer service and increase efficiencies in tracking day to day work activities
- New City Website – The new website provides with quick and reliable information on City services. Effective communication with our residents is essential to maintain trust, openness and transparency.

- Wolf River Boulevard – The design of this two mile segment of roadway, providing a critical transportation connection in our community, was completed. Construction is underway.
- Triple A Reaffirmed – During the height of the recession, the City's triple-A status was reaffirmed in December 2008 and June 2009 by Standard & Poor's and Moody's. The June 2009 debt issue was a refunding issue resulting in substantial savings for our residents.

## STRATEGIC PLANNING

The Board of Mayor and Aldermen spent a considerable amount of time discussing and reviewing the Vision 2020 plan during its annual retreat in January. The result is an update to the strategic plan for fiscal year 2012, the framework for this year's budget development. Figure 1 outlines the strategic process employed by the City incorporating the annual operating budget, the capital improvements plan and long range financial plan.

Figure 1



## City of Germantown Strategic Planning Process

The Vision 2020 goals established by the Board of Mayor and Aldermen during the retreat formed the focus areas. Focus areas are designed to ensure that the policies and priorities identified by the Board are incorporated into the annual budget and addressed during this fiscal year. A complete outline of the five focus areas, supporting policy agenda and performance measures follows this budget transmittal letter. Vision 2020 goals identified by the Board of Mayor and Aldermen this year include the following:

### Public Safety

- Safest City in the southeast
- Proactive approach to community safety
- Effective emergency response
- Safe buildings and homes
- Top quality police and fire workforce

### Community Vitality

- Germantown – the preferred place to live
- Enhanced residential neighborhoods
- Development consistent with Germantown character
- Connectivity and ease of movement
- Beautiful community



Quality of Life

- Vibrant community
- Lifelong learning
- Parks, greenspaces and natural areas
- Recreation and entertainment opportunities
- Cultural arts and enrichment
- Personal wellness of residents

City Services and Finances

- Financial sustainability
- Services excellence
- Services valued by our customers
- Services delivered in most cost effective manner
- Civic Involvement

Environmental Quality

- Pure water
- Reduced energy consumption
- Waste reduction and resource recovery
- Stormwater pollution prevention

## REVENUE PROJECTIONS

Concurrent with the adoption of the budget, the Board of Mayor and Aldermen adopts a property tax rate. Property taxes generated in Germantown comprise about 61% of overall operating revenues. The property tax increase in FY04 was established to create a five-year tax stability period. A proposed tax rate for FY12 is set at \$1.575.

However, the uncertain economic times required an in-depth review of all revenue assumptions in formulating the budget. Additionally, a thorough expense review was conducted and included local issues of growth, new operating services, neighborhood preservation and quality of life.

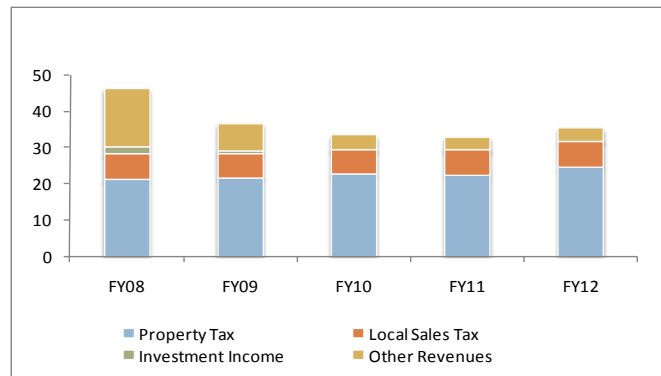
- Investment Income – FY12 projection for investment income is budgeted to decrease. However, future years are projected to increase based on an investment portfolio which minimizes risk while attempting to maximize return in a poor economy.
- The State Economy – Economic growth declined during FY11. Rising gasoline prices are impacting Tennessee harder than most states because it relies so heavily on revenue from sales taxes of other consumer goods and services. The sales tax is elastic and more sensitive to economic shifts.
- The Local Economy – Germantown tends to follow the dynamic fluctuations of the national economy. While FY11 is anticipated to be less than budget, local sales are projected to slightly increase in FY12 over the FY10 estimate.
- Hall Income Tax -- This tax is collected by the state as a tax on income from dividends and interest on out of state investments and allocated to the City at 3/8 of the amount collected from Germantown residents. The FY12 budget continues to dedicate the revenues received from the Hall Income Tax to fund capital improvements projects and not be a source of funding for the operating budget. This action will continue to position the City to respond effectively if this revenue source changes either due to economic conditions or by state sharing policy.

## GENERAL FUND

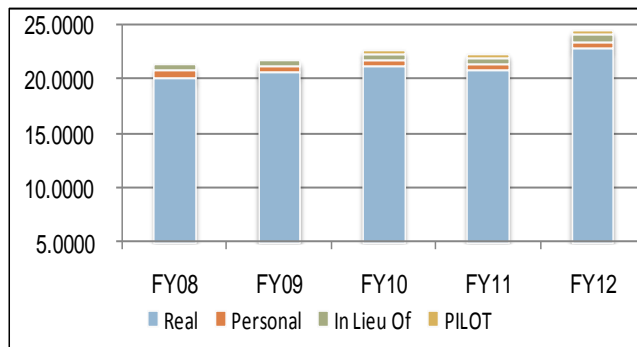
### REVENUES:

The General Fund revenues include property tax, local sales tax, investment income and other revenues. ***The property tax consistently remains one of the most stable sources of revenue in our community.*** Other revenue sources are subject to some degree of fluctuation in economic cycles, and have decreased from FY09 levels. Other revenue in FY09 was higher than other years due to the inclusion of debt issuance proceeds.

\$ MILLIONS



\$ MILLIONS



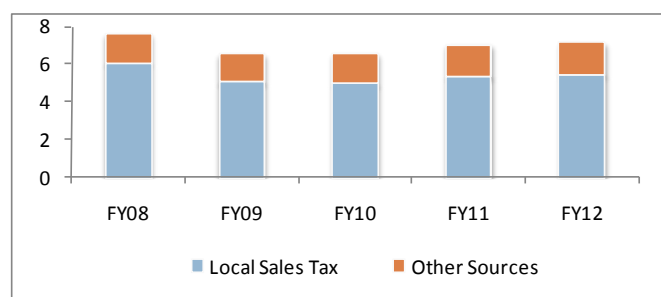
### PROPERTY TAXES

The proposed property tax rate for the City of Germantown is \$1.575 per \$100 of assessed valuation. In the FY12 budget, real, personal, in-lieu-of-property taxes and PILOT are projected to generate approximately \$24.3 million, 61% of the total revenue budget for the City.

### LOCAL SALES TAXES

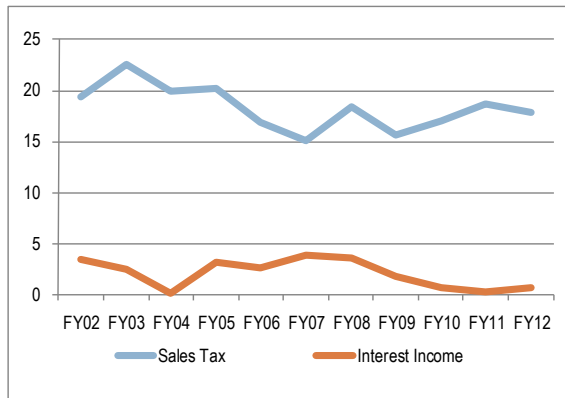
Local sales tax collections contribute 18% of the total revenue for the operations of the City. This category includes the local sales tax, the wholesale beer tax, the wholesale liquor tax, gross receipts business taxes and hotel/motel occupancy tax. The FY12 Budget anticipates \$7.1 million in local sales tax revenue.

\$ MILLIONS



### PERCENT

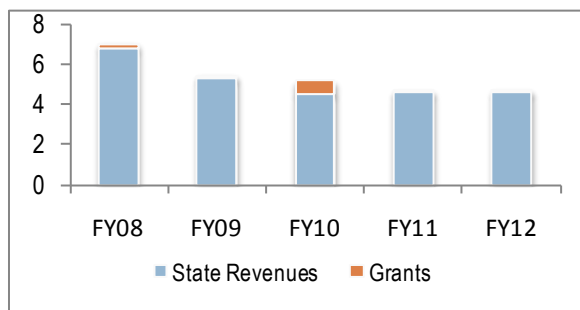
### SALES TAX REVENUE AND INTEREST INCOME AS % OF GENERAL FUND REVENUES



### INTEREST INCOME

Interest on the City's investments contributes 1% of total revenues for the City of Germantown. The FY12 Budget projects income from investments at \$235,480. Both the State of Tennessee and the Board of Mayor and Aldermen have regulations regarding authorized investments. The level of interest income fluctuates depending on interest rates and amount of funds held in reserve.

### \$ MILLIONS



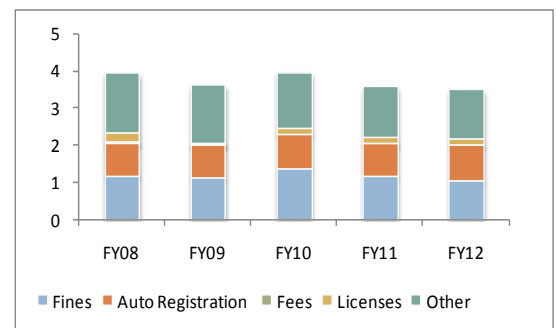
### STATE REVENUES AND GRANTS

State shared revenues and state and federal grants make up 10% of the total fund sources for the City. This area includes state allocations for income tax, sales tax, beer tax, liquor tax, and City street and transportation tax allocation. In Germantown, state shared revenues are projected to be \$3.7 million in FY12. With the exception of the income and excise tax, state revenues are allocated on a per capita basis with Germantown's population at 41,011, per 2009 state certified census. This source of revenue fluctuates depending on the statewide economy and certified population counts.

### OTHER LOCAL REVENUE SOURCES

Other local revenue sources generate approximately 10% of the overall revenue for the City. This category includes automobile registration fees, local cable franchise fees, city court fees and an assortment of other smaller fees collected by municipalities. Licenses and fees are a fairly stable source of revenue for the City. However, revenues are budgeted to be down for FY12 with projections of \$2.2 million from fees.

### \$ MILLIONS

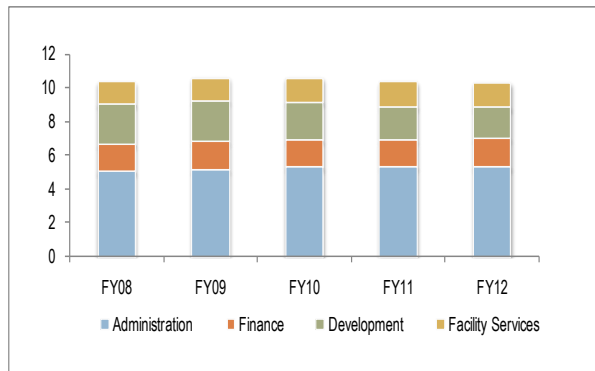


More detailed information about each revenue category is provided under the "Revenues and Other Information" tab in the latter part of the document.

## EXPENDITURES

The City's fiscal year spending plan emphasizes a long-term goal of maintaining financial stability. All expenditures reflect the spending priorities established by the Board of Mayor and Aldermen and strict adherence to the financial policies that provide a framework for allocating resources. (The Board's Policy Agenda for fiscal year 2011 and an overview of the Financial Policies as adopted by the Board of Mayor and Aldermen are provided following this section.)

\$ MILLIONS



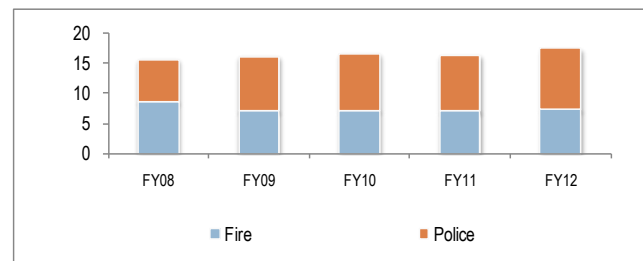
## GENERAL GOVERNMENT EXPENDITURES

General government includes the Departments of Aldermen, Administration, Economic & Community Development, Human Resources, Information Technology, Germantown Performing Arts Centre, Facility Services, Research and Budget, City Court, Facilities Services and Finance. A specific cost center, Civic Support, which includes local grant allocations, is now included within Administration in FY12. FY12 expenditures for these functions decreased by \$54,238 or less than 1% from the FY11 estimate, despite increases in Finance, Information Technology, and Administration.

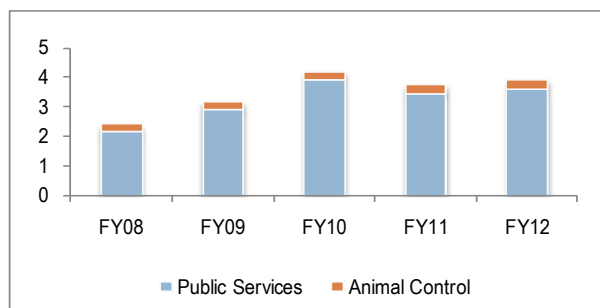
## PUBLIC SAFETY EXPENDITURES

Total expenditures for Police and Fire Departments increased by \$1.06 million or .6% from the FY11 estimate. During the past five years, public safety costs have risen primarily due to the additional safety personnel and ancillary costs. FY12 shows an increase over FY11 estimate due primarily to the replacement of public safety vehicles in FY12.

\$ MILLIONS



\$ MILLIONS



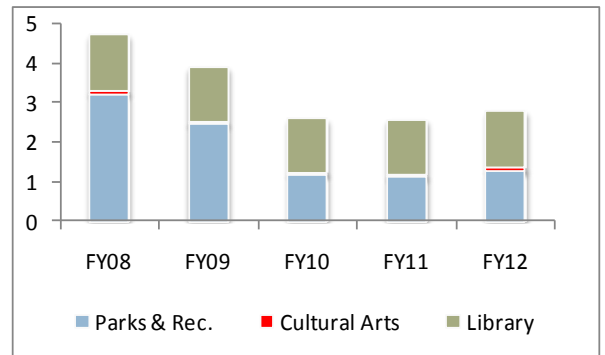
## TRANSPORTATION AND ENVIRONMENT EXPENDITURES

The category includes the Department of Public Services and Animal Control. Total FY12 expenditures for this category increase by \$221,345 or 9% from the FY11 estimate. FY12 expenses are higher than FY11 estimate due to the replacement of maintenance equipment in Public Services.

### COMMUNITY SERVICES EXPENDITURES

The category includes the Parks and Recreation Department, Library Services, and Cultural Arts. The FY12 expenditures decrease by \$221,345 or 9% above the FY11 estimate. This increase is due partially to the movement of civic support expenditures to other general fund departments in FY12.

\$ MILLIONS



### SUMMARY OF FY12 APPROVED EXPENDITURE HIGHLIGHTS

(To be added)

## RESERVES:

While the entire subsequent year's balance sheets are not presented in this document, the most critical aspect of the City's balance sheets – fund balance – is presented in the budget projection summaries in the following section. General Fund fund balance as of June 30, 2010 totaled \$22.4 million. The underlying purpose and rationale for these reserves are described in the Financial Policies contained in this section of the document.

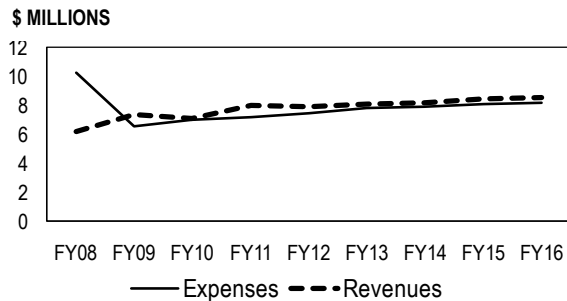
Following a review of the Financial Policies with the Financial Advisory Commission and the Board of Mayor and Aldermen, the Financial Policies were updated as detailed in this section of the Budget.

## UTILITY FUND

### REVENUE AND EXPENSES:

Utility rates were decreased in the FY09 Budget for the Utility Fund. This decrease was recommended to promote equity to the users, since the existing rate structure has built up an excessive working capital during drought years. The base rate is budgeted to remain the same to help avoid future revenue shortfalls during rainy years.

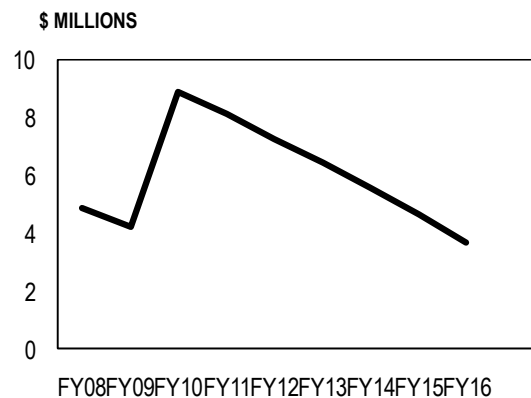
#### UTILITY FUND REVENUES OVER EXPENSES



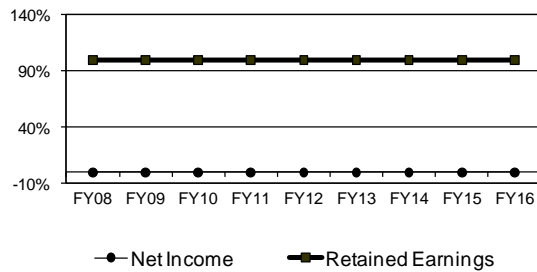
The chart on the left graphically illustrates the revenue and expenditure trends over a 9-year planning period. Utility revenues and expenses reflect the fluctuation common to a Utility Fund.

#### OUTSTANDING UTILITY DEBT

Outstanding Utility Debt of \$7.3 million at the start of FY12 is comprised of two bond issues. This chart displays Outstanding Utility Debt at the beginning of each fiscal year. In FY09 a bond issue totaling \$5.0 million was issued to support the expansion of the Johnson Road Water Plant and water storage. The one bond issue in FY98, refunded in 2006, totaling \$8.025 million was mainly to support the construction of a new water treatment plant. The five-year planning period does not anticipate a bond issuance.



### UTILITY DEBT SERVICE COVERAGE



The debt service coverage graph shows the ratio of operating income and retained earnings to debt service (the number of times operating income and retained earnings covers bonded debt service). Debt service coverage is the principal ratio used to assess utility debt capacity. As shown in the graph, the ratio for operating income coverage has declined due to the budgeted draw down of retained earnings. FY12 and the projected plan period show a healthy fund. The retained earnings ratio illustrates the strong financial stability of the Utility Fund.

Although the major rating agencies consider 2.4 an appropriate debt coverage ratio, Germantown's strong financial foundations, coupled with its high levels of working capital maintained in the Utility Fund, provide additional protection against unexpected operating costs and declines in revenues between periodic rate adjustments.

### FY12 CAPITAL BUDGET

The FY12 capital budget totals \$47,343,000. The transfer to capital projects from the General Fund totals \$3.611 million. Those projects incorporated in the CIP are consistent with the Board of Mayor and Aldermen's Policy Agenda and funding priorities.

The FY12 CIP demonstrates a significant level of spending due mainly to the funding for several road and drainage improvement projects. Details on these and other CIP projects and their impact on operations in this budget and future years are contained under the tab *Capital Improvements Program*. The following chart illustrates the impact of drawdown on General Fund reserves over the planning period for the CIP.

### FUND BALANCE AS % OF TOTAL EXPENDITURES

A complete detail of the Fund Balance including designated reserve levels is in the section *Financial Policies*.

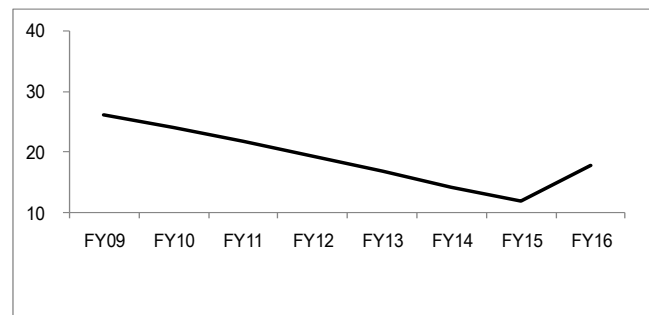
### DEBT ANALYSIS

In the State of Tennessee, there is no legal debt limit.

The **outstanding general obligation debt** chart depicts the level of indebtedness over an 8-year period. In FY09 \$9.635 million of G.O. debt was issued. Of this amount \$6.0 million was new debt and \$3.635 million was the refunding of Bond Series 2000 and 2002. A debt issuance of \$8.0 million is included in the graph to the right in FY16.

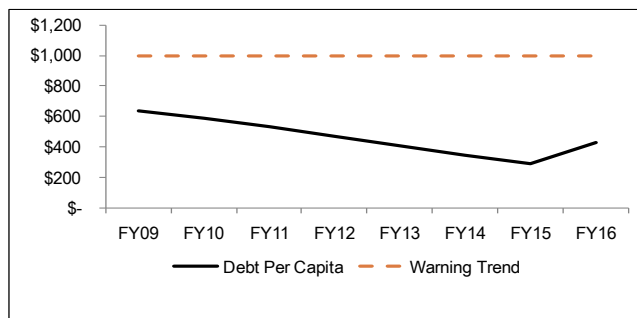
### OUTSTANDING G.O. DEBT

\$ MILLIONS



## G.O. DEBT PER CAPITA

### \$ PER CAPITA



Rating agencies generally consider \$1,000 per capita to be the upper limit for a triple-A rating. Even with the anticipated issuance of debt in the outer years, Germantown maintains a debt level below the upper limit.

## GERMANTOWN ATHLETIC CLUB FUND

The Germantown Athletic Club begins FY12 with a planned business development approach. Increased competition and an aging facility have resulted in a strong focus on membership retention. Investment of more than \$3 million over the past several years in renovations, streamlining programs and membership fees, enhancing marketing and communications, along with a "back to basics" approach of services, is planned to build membership and fiscal soundness. This business plan shows the financial improvement anticipated for the forecast period. In addition, the operations of the Great Hall were separated from the Germantown Athletic Club in FY10, thus allowing each facility to focus on its business objectives. A rate increase is budgeted in FY12, which will increase membership rates for all new members.

## GREAT HALL

In the FY10 Budget the Great Hall was separated from the Germantown Athletic Club Fund and a new enterprise fund was created for the Great Hall. This division was done to better identify the profitability of operations for each of these funds. The Great Hall focuses on providing 8,000 square feet of rental facility space ideal to accommodate meetings, weddings and receptions.

## SANITATION FUND

The FY12 Budget for the Sanitation Fund reflects costs of the first year of a five year contract with All-Star Corporation. The revenue side includes a rate that remains the same as last year for solid waste collection in FY12 and should remain in effect in FY13. The new contract includes backdoor household trash collection with curbside option, weekly recyclables collection with incentive program and unlimited resident generated yard debris collection and composing.

## STORMWATER MANAGEMENT FUND

In the FY11 Budget a Stormwater Management Fund was created due to a federal mandate for municipalities to manage stormwater runoff. This fund provides citizens with improved health and safety, protection of property value, and cleaner and safer streets.

## SPECIAL THANKS:

The FY12 Budget could not have been prepared without the combined efforts of staff, the Financial Advisory Commission, the Personnel Advisory Commission and the Board of Mayor and Aldermen. I want to express my appreciation to all of those who have worked to produce the FY12 Budget and Capital Improvements Program, and in particular, I want to thank the Research and Budget Services, especially

Sincerely,

Patrick J. Lawton  
City Administrator



## GENERAL INFORMATION AND STATISTICAL DATA

---

Germantown is located in southeast Shelby County. It is one of six municipalities adjacent to Memphis, Tennessee.

### GERMANTOWN'S EARLY HISTORY

Germantown began in 1833 as the hamlet of Pea Ridge. In 1836 it was renamed Germantown, probably because the earliest settlers were of German heritage. By 1841, the City of Germantown was chartered. It met with a modest amount of prosperity when a plank road was built in 1849 and the railroad came through in 1852. It suffered setbacks in the 1860s when part of the City was destroyed during the Civil War and during the yellow fever epidemics of the 1870s.

### GERMANTOWN'S POPULATION PATH

In 1960, the City had 1,101 residents. In the 1970s, Germantown began to grow rapidly and by 1980 the population had grown to 20,459. Today, the City's population is 41,011 per a 2009 State certified census. The City is primarily residential in character, but continues to expand in commercial businesses and professional services.

### GERMANTOWN DEMOGRAPHICS

<b>Population</b>	40,011*	<b>Education (persons 25 years of age or older)</b>	
Male	48.7%	High School graduate or higher	98%
Female	51.3%	Bachelor's degree or higher	60%
<b>Age</b>		<b>Occupation</b>	
Under 5 years	5.2%	Management, professional, and related occupations	52.8%
5 to 19 years	25.3%	Sales and office occupations	30.5%
20 to 44 years	26.8%	Service occupations	7.2%
45 to 64 years	33.5%	Production, transportation, and material moving occupations	6.0%
65 years and older	9.2%	Farming, fishing, and forestry occupations	3.4%
<b>Race</b>		<b>Other</b>	
White	92.9%	Homeownership rate	89%
Black or African American	2.3%	Number of households	14,635*
Asian	3.5%	Median household income	125,514*
Hispanic or Latino	1.1%	Median value of owner-occupied housing units	289,942*
Other	0.2%	Per capita money income	62,655*
		Average family size	2.87

Unless otherwise indicated, statistics are from 2009 State certified census.

## GENERAL INFORMATION AND STATISTICAL DATA

---

### City of Germantown, Tennessee Principal Property Taxpayers

The Village at Germantown Inc.  
Belz Investment Company (PSO)  
UT Medical Group Inc.  
Empirian Colonneade LLC 75%/Bushreal  
Vinyards Apartments Inc.  
Senter Crook Taylor EtAl  
Sherriff LLC  
BIC-MTS Partners (PSO)  
CH Realty III/Germantown LLC  
SWC Poplar FHI Partners LLC

### City of Germantown, Tennessee Principal Employers

Methodist Le Bonheur Hospital - Germantown  
Shelby County School System - Germantown Schools  
Baptist Rehabilitation - Germantown  
City of Germantown  
Campbell Clinic  
O.R. Nurses  
Orgill, Inc.  
El Porton  
Schnucks  
Stern Cardiovascular  
Ezon, Inc.

## AMENITIES

A total of 27 parks allow for a park within walking distance of every residence. The community has more than 700 acres of parkland. More than 11.1 miles of greenway links parkland and neighborhoods.

Under the umbrella of the Shelby County School System, two high schools, two middle schools and four elementary schools serve Germantown. The City also has three private and four specialty schools.

The Community Library was constructed in 1996, the Regional History and Genealogy Center opened in FY07. The Germantown Performing Arts Centre (GPAC) is an acoustically-perfect 800-seat theater featuring top artists from around the world. The Germantown Athletic Club is an 118,000 square foot indoor athletic complex that opened in 1989 and expanded in 2003 to include two outdoor pools. The Great Hall is an 8,000 square feet rental facility space that is ideal to accommodate meetings, weddings and receptions.

## GERMANTOWN'S STATUS

Germantown is one of a few cities in the nation possessing a triple-A bond rating from both Moody's and Standard & Poor's. It has the lowest crime rate for any city its size in the State of Tennessee and the police and fire departments have average emergency response time of five minutes. The parks and recreation department is nationally accredited. The Arbor Day Foundation has designed Germantown a "Tree City USA" for 16 consecutive years.

## GERMANTOWN'S GOVERNMENT

The City of Germantown operates under a Mayor-Aldermanic form of government. The mayor and five aldermen are elected for four year terms and are part-time positions. The Board of Mayor and Aldermen is the legislative and policy-making body of the City. The mayor does not vote except to break a tie. By charter, the mayor is the chief administrative officer; however, oversight of day-to-day management is assigned to a professional city administrator, appointed by the mayor but subject to board approval.

More than 200 citizens annually volunteer their time, expertise and energy in service on the City's 20-plus advisory commissions and boards. Most appointments, made by the mayor and aldermen each December, are for one year terms; most groups meet monthly. Their responsibilities range from recommendations on City government matters and community interests to identifying opportunities, challenges and solutions to conducting special activities. The commissions are Audit, Beautification, Design Review, Economic Development, Education, Environmental, Financial, Athletic Club, Great Hall, Historic, Industrial Development, Library, Neighborhood Preservation, Parks and Recreation, Personnel, Planning, Public Safety Education, Retirement Plan Administration, Other Postemployment Benefits, Senior Citizens, Telecommunications and Youth. The boards are Zoning Appeals, Industrial Development and Library.

**GERMANTOWN AT A GLANCE**

**City of Germantown, Tennessee  
Miscellaneous Statistical Data**

**City Stats:**

Date Originally Chartered	1841
Date of Incorporation	1903
Form of Government	Mayor-Aldermanic
Area	19.8 sq. miles
Miles of Streets	205
Number of Street Lights	5,115

**Fire Protection:**

Number of Stations	4
Number of Regular Firefighters	70
Number of Volunteer Firefighters	25
Insurance Service Office Rating	Class III

**Police Protection:**

Number of Regular Police Officers	86
Number of Reserve Police Officers	30

**Recreation and Culture:**

Number of Parks	27
Acreage	748
Number of Libraries	2
	(Germantown Community Library and Genealogy Center)
Volumes	149,974

**Education (1) :**

Number of Schools	8 (Shelby County)
Number of Students	7,927

**Water System:**

Number of Consumers	13,277
Miles of Water Main	206
Well Capacity	25 million gallons per day
Treatment Plant Capacity	24 million gallons per day
Storage Capacity	7.875 million gallons
Average Daily Consumption	7.500 million gallons
Peak Day Pumpage	15.120 million gallons
Residential Rate in Force	\$6.75 for first 5,000 gallons (minimum)
	\$1.65 per additional 1,000 gallons up to 15,000 gallons
	\$1.90 per additional 1,000 gallons up to 50,000 gallons
	\$2.40 per 1,000 gallons thereafter

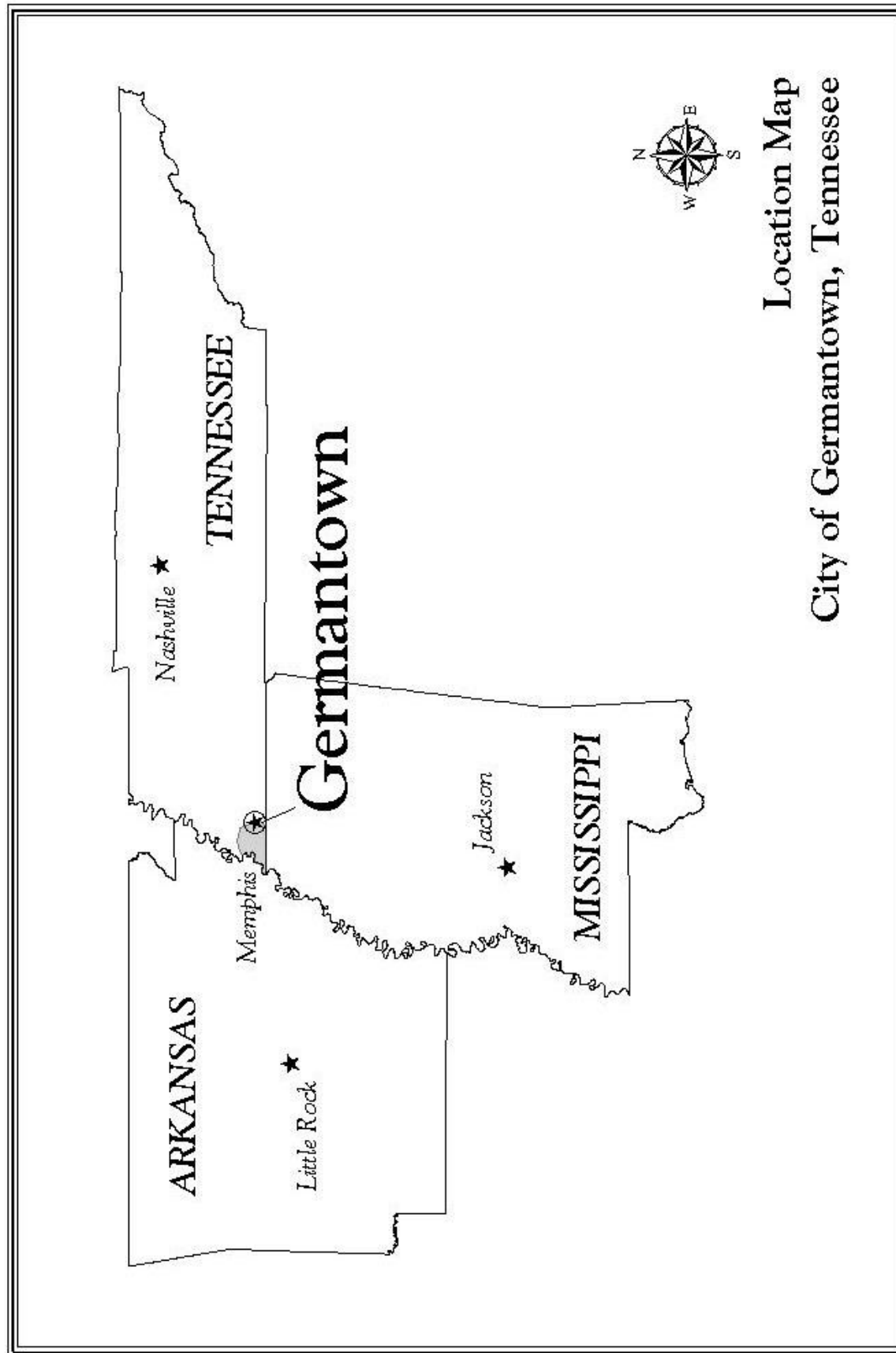
**Sewer System:**

Number of Consumers	13,074
Miles of Sewer Main	209
Treatment	Provided by City of Memphis
Residential Rate in Force	\$3.90 for first 3,000 gallons (minimum)
	\$1.53 per additional 1,000 gallons
	(\$3.90 minimum and \$31.20 maximum)

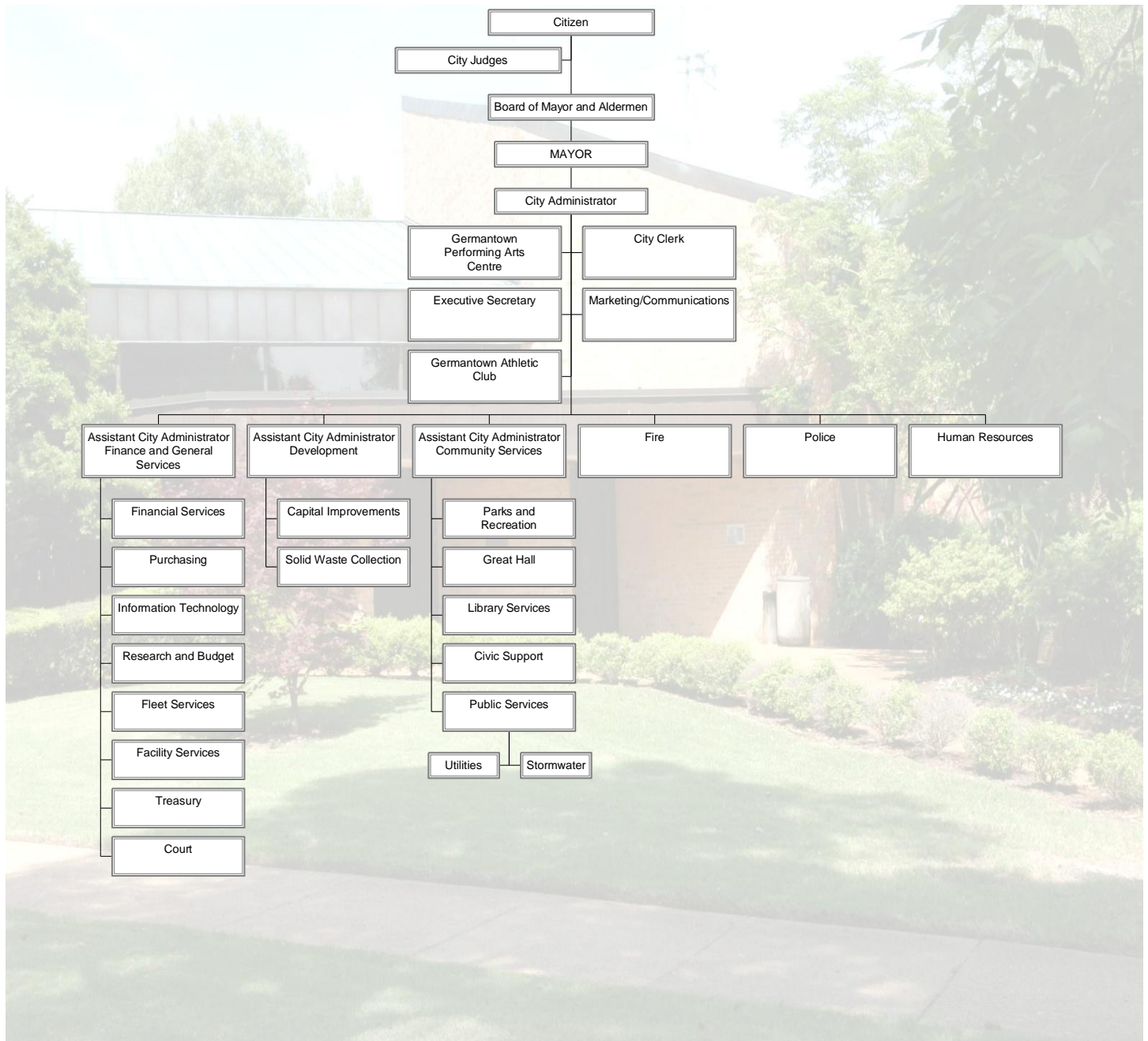
**CONTACT INFORMATION**

For further information, please contact:

City of Germantown  
1930 South Germantown Road  
Germantown, Tennessee 38138  
901-757-7200  
[www.germantown-tn.gov](http://www.germantown-tn.gov)



## CITY OF GERMANTOWN, TENNESSEE Organization Chart



## LIST OF CITY OFFICIALS

---

### CITY OF GERMANTOWN CITY OFFICIALS

#### MAYOR

Honorable Sharon Goldsworthy (2014\*)

#### ALDERMEN

John Drinnon (Vice Mayor – 2014\*)

Ernest Chism (2012\*)  
Mike Palazzolo (2012\*)

Greg Marcom (2014\*)  
Mark Billingsley (2012\*)

#### CITY ADMINISTRATOR

Patrick J. Lawton

#### CITY ATTORNEY

C. Thomas Cates

#### CITY JUDGES

Bob Brannon  
Raymond S. Clift

#### EXECUTIVES

Finance and General Services Division Director.....	Kristen A. Geiger
Economic and Community Development Services Director.....	G. Andrew Pouncey
Community Services Division Director.....	George Brogdon
Fire Chief.....	Dennis Wolf
Police Chief.....	Richard Hall
Human Resources Director.....	Pat McConnell
Finance Director.....	Ralph J. Gabb
Parks and Recreation Director.....	Pam Beasley
Library Services Director.....	Melody Pittman
Public Services Director.....	Bo Mills

#### BUDGET PREPARATION STAFF

Research and Budget Analyst.....	Sherry Rowell
Research and Budget Analyst.....	Adrienne Royals
Capital Improvements Projects Manager.....	Butch Eder

\*(Date elected term expires)

# City of Germantown Core Values

We, the Germantown Managers and Employees,

Strive for **S**ERVICE Excellence

**P**RODUCE “A+” Results

Take the **I**NITIATIVE

Are **R**ESPONSIBLE

Are **I**NNOVATIVE

Practice **T**EAMWORK

The **S.P.I.R.I.T.** of Germantown

## ORDINANCE NO. 2011 - 4

## AN ORDINANCE TO ADOPT THE 2011 - 2012 BUDGET

WHEREAS, the City of Germantown desires to ordain its budget for the fiscal year July 1, 2011 through June 30, 2012; and

WHEREAS, by charter, of the City of Germantown, the Board of Mayor and Aldermen is required to fix and determine an annual budget setting forth all income and expenditures containing total revenues and available funds and total expended; prohibiting against exceeding appropriations and a line item financial plan;

BE IT ORDAINED by the City of Germantown, that its budget for the fiscal year July 1, 2011 through June 30, 2012, is the following:

SECTION

- 6-801 Revenues/Expenditures
- 6-802 Expenditure Appropriations
- 6-803 Expenditure of Donations and Grants
- 6-804 Line Item
- 6-805 Effective Date

Section 6-801 Revenue/ExpendituresA. Total Revenues and Available Funds

General Fund Revenues		\$40,416,068
Special Revenue Funds Revenues		2,308,852
Intergovernmental Revenues		3,586,000
Contributions		0
Utility Fund Revenues		7,865,000
Germantown Athletic Club Fund Revenues		3,720,822
Great Hall Fund Revenues		161,700
Sanitation Fund Revenues		3,647,940
Stormwater Management Fund Revenues		1,151,800

## Decreases (Increases) in Fund Balances:

General Fund		(921,808)
Special Revenue Funds		771,094
Capital Projects Funds		9,457,000
Utility Fund		527,903
Internal Service Funds		68,000
Germantown Athletic Club Fund		293,262
Great Hall Fund		342,860
Sanitation Fund		(25,539)
Stormwater Management Fund		(156,346)
TOTAL		<u>\$73,214,607</u>



B. Expenditures

General Fund		\$39,494,260
Special Revenue Funds		4,424,946
Capital Projects Funds		13,043,000
Utility Fund		8,392,903
Internal Service Funds		68,000
Germantown Athletic Club Fund		4,014,084
Great Hall Fund		504,560
Sanitation Fund		3,622,401
Stormwater Management Fund		995,454
TOTAL		<u>\$73,214,607</u>

Section 6-802 Expenditure Appropriations

No expenditure listed above may be exceeded without appropriate ordinance action to amend the budget, except as provided in the following section. Such action shall fully describe all changes to the budget and shall include the sources of revenue to finance the expenditure.

Section 6-803 Expenditure of Donations and Grants

In the event funds are donated or contributed to the City or the City receives grants, revenue projections and expenditure appropriations may be increased by resolution of the Board of Mayor and Aldermen to the extent of the amount of funds received.

Section 6-804 Line Item Financial Plan Required

A detailed line item financial plan shall be prepared in support of the budget. The financial plan shall be used as guidance and generally followed in implementing the budget.

Section 6-805 Effective Date

This Ordinance shall take effect July 1, 2011, the public welfare requiring it.

First Reading: May 09, 2011

Second Reading: June 13, 2011

Third Reading: June 27, 2011

\_\_\_\_\_  
Sharon Goldsworthy, Mayor

\_\_\_\_\_  
City Clerk/Recorder

# 2012 Focus Areas

## Supporting Sustainability in Germantown

The five plans set forth in Vision 2020 provide focus areas and are divided among the three triple bottom line categories. Vision 2020's City Services and Finances focus area helps supports the economic sustainability of the City. Environmental sustainability is supported by the Environmental Quality focus area. Social sustainability is supported by the Quality of Life, Community Vitality and Public Safety focus areas.

A system has been put in place to guide the City's progress toward making the Vision 2020 plans a reality. Goals are designated for each focus area. Policy agendas help to ensure that goals are met. Performance measures, tracked quarterly, indicate progress toward the policy agenda. Performance measures are combined to produce results and reported quarterly as key indicators to the public quarterly so ensure transparency and commitment to Vision 2020.

### Triple Bottom Line

<b>Economic Sustainability</b>	<b>Environmental Sustainability</b>	<b>Social Sustainability</b>
City Services and Finances Plan	Environmental Quality Plan	Quality of Life Plan Community Vitality Public Safety

# Focus Areas

## City Services and Finances

### Supporting Financial Sustainability

The City of Germantown has significant physical assets including streets, utility system for water and sewer, drainage system, City Hall and adjacent buildings, fire stations, Germantown Athletic Club, Community Library, parks, streetscapes, medians and others. This City infrastructure is aging which means increased maintenance levels and costs. In addition, the city has future infrastructure needs such as additional fire stations and upgrade and expansion of parks. The quality of the City infrastructure impacts the city's quality of life, community vitality and community safety. The City must have long-term sustainable revenues to support defined services and service levels. Balancing current needs with future obligations, the city performs a wide variety of services in order to sustain consistent performance.

#### Goals

- Financial sustainability
- Service excellence
- Services valued by customers
- Services delivered in the most cost effective manner
- Civic involvement

#### Key Indicators

- Triple A bond rating
- Citizen satisfaction
- Fiscal health

#### Policy Agenda 2012

#### Performance Measures

- |   |  |
|---|--|
| • Maintain sufficient funds to meet obligations and maintain service levels .....       | Balanced budget<br>Target: yes   |
| • Maintain Triple A bond rating .....   | Triple A bond rating<br>Target: yes  |
| • Departments meet budgeted expenses and revenues .....                                 | Departmental expenses compared to budget<br>Target: Spending at or below budgeted levels   |
| • Financial reserves are consistent or expanding .....                                  | General fund reserves compared to fiscal year<br>Target: per financial policies and sustainability standards                     |
| • Grow a diverse and well balanced tax base .....                                       | % of tax base per categories<br>Target: Decrease % of property tax   |
| • Provide timely response to customer needs .....                                       | % of customer requests acknowledged within one business day<br>Target: 98%   |
| • Have limited amount of "rework" on City services .....                                | % of work orders requiring rework<br>Target: 3% decrease   |
| • Achieve a 90% customer service satisfaction level .....                               | Satisfaction rating from citizen survey<br>Target: 90% or higher somewhat or very satisfied                                      |
| • Provide City services that are valued by citizens .....                               | Response rate to over-all value of services in the citizen survey<br>Target: 80% or higher                                       |
| • Improve cost effective service delivery .....   | Number of workplace injuries that result in workers' compensation claims<br>Target: fewer than same quarter previous fiscal year |
| • Increase citizen involvement in governance through boards and commissions .....       | Commission turnover rate<br>Target: 10%  |
| • Increase website visitors and better inform our residents .....                       | Increase website visitors<br>Target: 10% increase over FY2011  |
| • Engage citizens in the discussion of issues facing the BMA using Open City Hall ..... | Number of open city hall users<br>Target – 300 by June 30, 2012  |

# Focus Areas

## Environmental Quality

### Supporting Environmental Sustainability

The environmental quality plan is designed to provide a comprehensive approach to protect the natural resources of our community. The goals and objectives identified in the plan reflect the ideal future we strive to achieve. These include the implementation of energy conservation practices, reduction of solid and hazardous waste and the protection of the water supply. Many of these goals are the result of proactive planning practices and others are mandated by federal and state law.

#### Goals

- Reduce energy consumption
- Pure water
- Waste reduction and resource recovery
- Stormwater pollution prevention

#### Key Indicators

- CO2 emissions
- Drinking water quality index
- Refuse reduction
- Wolf River quality index

#### Policy Agenda 2012

#### Performance Measures

- |  |   |
|--|---|
| • Use more energy efficient lighting fixtures. ....                                  | Annual electrical usage consumption<br>Target – reduce total kwh used by 10% by June 30, 2012 |
| • Implement citywide energy conservation measures .....                              | Annual natural gas consumption<br>Target – reduce total mcf used by 10% by June 30, 2012      |
| • Develop strategy to retrofit and upgrade existing HVAC systems .....               | Annual natural gas consumption<br>Target – reduce total mcf used by 10% by June 30, 2012      |
| • Develop strategy to reduce gasoline and diesel fuel consumption .....              | Annual gasoline and diesel fuel consumption<br>Target – reduce usage by 10% by June 30, 2012  |
| • Meet or exceed state and federal drinking water standards with no violations ..... | State annual water quality report<br>Target – 100% compliance rating                          |
| • Develop strategy to enhance compliance with back flow prevention program .....     | Number of residential and commercial back flow prevention devices in place<br>Target – 100%   |
| • Develop strategy to reduce the volume of waste entering the landfill .....         | Landfill tonnage<br>Target – reduce 15% by June 20, 2012                                      |
| • Develop strategy to increase residential recycling rate .....                      | % of household participation<br>Target – increase 10% by June 30, 2012                        |
| • Develop strategy to improve water quality index on Wolf River .....                | Wolf River water quality index<br>Target – 70% or higher                                      |

# Focus Areas

## Quality of Life

### Supporting Social Sustainability

The foundation of a strong community exists in Germantown as a result of common community values and natural assets. Residents take ownership of the community and contribute time and resources to community betterment. The City's top quality parks, preserved open spaces and natural areas provide a beautiful setting for residents to live, work, relax and play. A wide variety of leisure and cultural activities are available through Germantown Community Library Germantown Athletic club and the Germantown Performing Arts Centre. The ultimate goal is to add value to the lives of Germantown residents.

#### Goals

- Vibrant community
- Lifelong learning
- Parks, green spaces and natural areas
- Recreation and entertainment opportunities
- Cultural and arts enrichment
- Personal wellness for residents

#### Key Indicators

- Homeownership
- IMLA index
- Citizen satisfaction

#### Policy Agenda 2012

• Benchmark with exceptional libraries nationally .....	The IMLA index Target – No. 1 in Tennessee
• Complete process and procedures for national accreditation for Parks and Recreation .....	Accreditation achieved Target – November 2011
• Develop parks condition rating system .....	Number of parks in good or excellent condition Target 90%
• Increase the percentage of low-maintenance grasses and native plants used in landscaping .....	Use of native plants and grasses Target – 25% increase by June 30, 2012
• Develop survey methodology to determine parks programming effectiveness .....	Overall satisfaction level of parks and recreation programs Target – 80%
• Develop natural resource mitigation plan for all City owned property .....	Best practices in place to reduce soil erosion and water pollution Target – complete by December 31, 2011
• Survey patrons of GPAC to determine satisfaction with programs .....	Satisfaction rating of major season genres Target – 80%
• Increase the number of Germantown residents members at GAC .....	Number of new members who are Germantown residents Target – 10% increase

# Focus Areas

## Community Vitality

### Supporting Social Sustainability

Neighborhood preservation, development consistent with Germantown's character and well maintained public infrastructure help define community vitality. The City strives to maintain the quality of existing residential and commercial areas through strong property maintenance codes and a dependable and well maintained system infrastructure. Value is placed also on new growth and development consistent with Germantown codes through the adherence to exemplary planning and design standards.

#### Goals

- Germantown is the preferred place to live
- Enhanced residential neighborhoods
- Development and redevelopment consistent
- Connectivity and ease of movement
- Beautiful community

#### Key Indicators

- Home ownership
- Citizen satisfaction
- Property values

#### Policy Agenda 2012

#### Performance Measures

- Performance trend analysis for residential property values .....Change in residential property valuation  
Target – 10% annual increase
- Perform condition survey of City neighborhoods .....Change in residential property valuation  
Target – 10% annual increase
- Perform trend analysis on how the recent recession has .....% of homes that are owner occupied  
affected home ownership  
Target – 90%
- Develop infrastructure management rating system ..... Number of city lane miles in good or excellent condition  
Target – 70%
- Improve code enforcement compliance rate .....Average number of days out of compliance following notice  
of violation  
Target – improve by 10%
- Conduct random sample community survey .....Survey results  
Satisfaction with City services  
Target – 98% somewhat or very satisfied  
Responsiveness to citizens  
Target – 93% somewhat or very satisfied  
Administrative leadership  
Target – 91% somewhat or very satisfied  
Efficiency  
Target – 82 % somewhat or very satisfied



# Focus Areas

## Public Safety

### Supporting Social Sustainability

Germantown residents enjoy a low crime rate and affordable homeowner and business insurance premiums due to the efforts of the police and fire departments. Both departments have excellent emergency response times and provide enhanced services in addition to traditional public safety services. The public safety plan focuses on sustaining Germantown as a safe community with an approach to public safety that incorporates essential emergency services tailored to the community's risk.

#### Goals

- Safest city in southeast
- Proactive approach to community safety
- Effective emergency response
- Safe buildings and homes
- Top quality police and fire workforce

#### Key Indicators

- Low crime rate
- Citizen satisfaction
- Class 3 ISO rating

#### Policy Agenda 2012

#### Performance Measures

- |   |  |
|---|--|
| • Reduce motor vehicle crashes .....  | 800 or fewer crashes annually  |
| • Improve solvability rate for violent crimes .....   | % of Part 1 crimes assigned to investigations<br>Target - 90% of Part 1 crimes cleared               |
| • Survey residents to determine safety rating in neighborhoods, day or night .....  | Personal safety rating when walking in my neighborhood, day or night<br>Target – 90% - annual survey |
| • Benchmark crime rate with cities in Tennessee and southeast participating in established performance measurement programs ..... | Uniform crime rate as reported by these selected cities<br>Target – lowest total crime index         |
| • Fully staffed police and fire departments .....   | Position vacancy rate<br>Target – 0%   |
| • Develop strategies to improve fire containment .....  | % of structure fires contained to room of origin<br>Target – 5% increase                             |
| • Effective fire department emergency response .....  | First unit arrives on scene in six and a half minutes or sooner<br>Target – 90%                      |
| • Improve clearance rate for building code violations .....   | Percent of violations corrected within 90 days<br>Target – 90%                                       |
| • Keep police response time on emergencies to four minutes or less violations .....   | Four minutes or less<br>Target 95%   |

t is not enough to simply provide good customer service; the City of Germantown continually strives to improve overall value to its citizens. Business planning is a basic step to understanding how departments operate and provides a framework to examine alternatives to “business as usual”. Performance measures are the core of any results-based business planning and budgeting system. Thus, the City’s business planning process has a specific focus on performance measurement linking to the desired outcomes and performance measures in the City’s Strategic Plan. Departments monitor the need for change in performance measures as their operating environment evolves. Results-based business planning and budgeting is a process that directly connects resource allocations to specific measurable outcomes. Budgets are used to drive the progress and leverage accountability, rather than maintaining the status quo. This system provides policy makers with the tools they need to respond more effectively to what the community wants, as well as provide them with the political support that is needed to make tough choices.

The City of Germantown’s performance management and strategic planning approach consists of identifying organizational strategies based on the Board of Mayor and Aldermen’s focus areas, then translating the strategy through Key Business Units. Performance measures are reviewed during the budget process to ensure that target goals are current with the BMA Policy Agenda. Changes were made to reflect each department’s evaluation of past service results and new program changes. Performance measures are reported quarterly along with a year-end report summarizing the fiscal year’s performance on an annual basis, which is distributed to elected officials and all levels of city management. These reports spotlight the level of service and allow for appropriate changes in staffing, funding allocations and delivery of service levels. In addition to these yearly reports, the City produces a PAFR to inform citizens about financial indicators and performance.

Performance Measures are included in each departmental section and the BMA Policy Agenda begins on page 23 of this document. The chart below and on the following page lists the departmental performance measure for each of the BMA long-range goals. During FY12 the City contracted with ICMA (International City/County Management Association) to train our staff in developing meaningful performance measures that will be used to benchmark with other comparable cities across the country. In addition, the City will engage in the development of the balanced scorecard and key reporting indicators that will be used in our departmental measures.

*(Performance Measures to be added)*



By resolution of the Board of Mayor and Aldermen on June 28, 2004 the following policies were adopted to provide guidance to Administration in budgeting, long-range planning and financial management of the City's operations designation for the General Fund fund balance.

### I. Operating Budget

The operating budget will be based on the principle of financing current expenditures with current revenues or accumulated reserves. Operating expenditures will not be directly supported by debt or federal and state transfer proceeds. Expenditures shall include adequate funding for retirement systems and adequate maintenance and replacement of capital and operating assets. Budgeted expenditures shall reflect the City's perceived needs and desires of the community based on current surveys and long-range planning.

The budget will also be based on generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. The budget basis will conform to the accounting policies contained in the Comprehensive Annual Financial Report, Note 1 – Summary of Significant Accounting Policies.

The form of the budget will include five-year projections of revenues and expenditures based on a program orientation, which includes measurement of performance, full cost absorption, adequate provisions for debt service and depreciation where applicable. The budget presentation will include analyses of cash flow, capital position and debt capacity.

Semiannually, there will be a comprehensive review of the operations to date in comparison to the existing budget. Projections of remaining revenues and expenditures for the year will be made and reviewed by the City Administrator, Mayor, and the Financial Advisory Commission and appropriate adjustments will be recommended to the Board of Mayor and Aldermen.

### II. Revenues

The operating budget will be developed with the objective of funding all well justified program goals, while avoiding major per capita tax increases. The City will strive to diversify the revenue base, reducing its dependency on property taxes and intergovernmental transfers.

The City will maximize the availability of revenue proceeds through aggressive collection and investment policies and proper timing of cash disbursements.

User fees will be developed and continually reviewed to ensure that they recover the cost of services that are not universal to all taxpayers. In Proprietary Funds, user fees will provide full coverage of direct and indirect costs including depreciation. In the Recreation Fund, user fees will be maintained at a level to cover operating costs exclusive of facility costs.

### III. Reserves

The operating budget will provide funding of certain reserves considered necessary to the continued financial health of the City. They are reflected in the City's financial statements as Designation of General Fund fund balance.

Emergencies and Catastrophes – provide funds to meet major, unforeseen, infrequent, catastrophic or emergency requirements, and are to be maintained at a level of \$900,000. This amount also provides funding of a risk management program, whereby the City obtains insurance contracts for catastrophic losses, but maintains relatively high deductible or retention limits on operating equipment and maintains no insurance contracts on certain exposures.

Contingencies – provides funds annually from which appropriations may be made to meet minor, additional needs not specifically provided for in the current operating budget. The amount will be fixed at \$250,000. An amount of \$50,000 is budgeted in the General Fund Contingency Account and \$200,000 is budgeted in the CIP Contingency Account. The Financial Advisory Commission and the Board of Mayor and Aldermen will review this fixed level of funding annually.

Infrastructure Replacement – provides funding for the replacement, reconstruction or refurbishment of City assets consisting of, but not limited to, city buildings, parks, streets, curbs, sidewalks and operating equipment on a pay-as-you-go basis. Funding will be provided annually during the budget process from General Fund operations.

Tax Anticipation – supplements operating cash flows to avoid liquidity problems, which might necessitate the issuance of Tax Anticipation Notes, and is to be maintained at a level of one-third of property tax revenues.

Debt Service – establishes a reserve to meet total debt service requirements for the following year.

#### IV. **Capital Improvements Program**

The Capital Improvements Program (CIP) will reflect a consensus of the perceived needs and desires of the community based on current surveys and long-range planning. The CIP will be cognizant of the financial impact on the applicable fiscal year and the City's past, present and future goals. The CIP will generally address those capital projects used for the acquisition or construction of major capital facilities.

The City will update and adopt annually a six-year CIP, including the annual Capital Improvements Budget (CIB) and a five year projection of capital needs and expenditures which details the estimated cost, description and anticipated funding sources for capital projects. Projections may be made for future projects exceeding the six-year CIP timeframe. The plan will include costs that have been estimated including consideration for inflation. The inflation rate will be determined annually in the budget process and will be disclosed in the capital budget report.

The first year of the six-year CIP will be the basis of formal fiscal year appropriations during the annual budget process. As part of the annual budget process, the CIP will be evaluated and adjusted with changes in priorities. The Mayor and City Administrator will review the CIP quarterly and if new project needs arise during the year, a budget adjustment identifying both the funding sources and project appropriations must be presented to the Board of Mayor and Aldermen (BMA) for approval. The approval must occur before active progress is made on the planning, design, or construction of the project. Projects may be granted exceptions as to promptly resolve any dangers to the community.

Projects involving development contracts brought before the Board of Mayor and Aldermen for approval during the operating year will identify proposed sources of funding and impacts to CIP funding, in particular, the General Fund Operating Reserves.

Each capital project will have a "sunset provision" enforced at the end of the fiscal year, which can only be lifted by resolution adopted by the Board of Mayor and Aldermen.

Projects will be monitored to ensure compliance with CIP Policy and Procedures. Projects will be entered into a timeline to produce a CIP schedule. Post-project evaluation reports will be used to determine the successfulness of a project.

#### ***Evaluation Criteria***

In order for a project to be considered in the CIP, an application shall be submitted for evaluation. A CIP Committee will be developed to assist in the review of project applications. The CIP Committee will use the following criteria to evaluate each capital project:

1. Conforms to the City's Strategic Plan
2. Supports the BMA Policy as adopted in January of each year
3. Promotes safety and security
4. Requirements to meet federal or state mandates
5. Savings in operating, capital spending or energy consumption
6. Impacts to future operating costs
7. Enhances economic development or adds to the tax base
8. Availability of federal or state funding assistance
9. Deferring will have possible significant implications for the community
10. Maintains a current level of service
11. Relates to another high priority project or is a continuation of a project currently under way
12. Improves the quality of existing services to safety
13. Replaces or maintains a capital asset
14. Creates a disruption or inconvenience to citizens
15. Benefits a large amount of stakeholders
16. Carries risk or uncertainty
17. Protects or contributes to the history of the City

### Financing

The two basic approaches to funding capital projects are pay-as-you-go and pay-as-you-use. Pay-as-you-go means paying for the capital project out of current revenues at the time of expenditure. Pay-as-you-use means borrowing to finance the expenditure with debt service payments generated from revenues raised through the useful life of the project. The CIP will use a combination of these two financing methods. Capital projects are funded through bonds, reserves, grants, developer contributions and other governmental sources. The average maturity of general obligation bonds will be at or below 20 years. Pay-as-you-go financing for capital projects must account for at least 25% of capital plan funding.

The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for the adequate maintenance and the orderly replacement of capital plant and equipment from current revenues where possible. Future maintenance or replacement costs will be factored into future years CIP as a result of the entry of a new project.

The Capital Improvements Program (CIP) will reflect a consensus of the perceived needs and desires of the community based on current surveys and long-range planning. The City will develop and maintain a CIP to control capital projects over a six-year planning period coordinated with the operating budget.

The CIP will be designed to protect the City's investments in capital and operating assets through timely and adequate maintenance and replacement of those assets. The Mayor and City Administrator will review the CIP quarterly and recommendations for amendments will be made to the Board of Mayor and Aldermen. Projects involving development contracts brought before the Board of Mayor and Aldermen for approval during the operating year will identify possible sources of funding and impacts to CIP funding, in particular, General Fund Operating Reserves. The CIP will monitor projects in progress to ensure timely completion or the substitution of alternative projects.

### **V. Debt and Investment Policies**

Debt will be used to finance long-lived capital and operating assets within the constraints of maintaining or improving bond ratings and debt service quality.

Debt management will provide for the protection of bond ratings, the maintenance of adequate debt service reserves, compliance with debt instrument provisions and appropriate disclosures to investors, underwriters and rating agencies.

Investments of the City will be made and collateralized in accordance with Tennessee Code Annotated.

Investment management will strive to maximize investment return on the City's funds through pooling of funds where permitted, frequent market analysis; cash forecasting procedures and competitive bidding.

A separate detailed investment policy "Policy Letter No. 27" has been revised and made current by the subcommittee of the citizen based Financial Advisory Commission for the city during calendar year 2004. The policy letter addresses in greater detail the administrative involvement into City investments. The policy defines appropriate criteria guidelines for the selection of financial institutions and investment instruments as authorized under Tennessee Code, staying mindful of cash flows and investment risk when matching length of maturities.

### **Basis of Budgeting**

The City does not distinguish between Basis of Budgeting and Basis of Accounting, as reflected in the City's Comprehensive Annual Financial Report (CAFR). The principles set forth as the Basis of Accounting are strictly observed in the budgetary process.

The City budget is prepared on a modified accrual basis of accounting except for encumbrances. Unencumbered appropriations lapse at the end of each fiscal year, with encumbered appropriations being carried forward to the next year.

The budgetary process for the City of Germantown begins in January with the Board of Mayor and Aldermen's annual retreat where its policy agenda is set for the upcoming fiscal year. Early in January, a budget manual is distributed to all departments and divisions, which outlines the budget calendar, submission dates, performance measurement requirements and parameters for budget requests. Six months of actual data for the current fiscal year is given as a basis for departments to submit their estimates for the current fiscal yearend. Departments are required to complete their budgetary requests for the new fiscal year and include justifications for any infrastructure, capital and program change requests. The Research and Budget staff works with

departments in reviewing personnel needs. The city administration reviews all requests on the timeframe as identified in the annual budget calendar. All funds, capital programs, infrastructure replacement programs and staffing are presented to the City's Financial Advisory Commission (FAC). The FAC is composed of citizens who volunteer to serve on the Commission on an annual basis and whose background is within the financial services discipline. The final component of the budgetary process is highlighted in a work session with the Board of Mayor and Aldermen. The Proposed Budget is then presented to the Board of Mayor and Aldermen for adoption through three readings, including a public hearing. Prior to the public hearing, a Budget In Brief brochure is mailed to all citizens. The brochure highlights the major capital and operating projects in the proposed Budget along with a letter from the Mayor.

### **Budgetary Control**

Formal budgetary accounting is used as a management control for all funds of the City. Budgetary controls are exercised both at the departmental level, with the adoption of the budget, and at the line item level through accounting controls. Additionally, budgetary control is maintained at the program level by the individual departments, acting in conjunction with the Department of Finance and General Services. The latter has a Division of Research and Budget to execute budgetary controls.

Under provisions of the City's charter, the Board of Mayor and Aldermen annually enact by ordinance the operating budgets of the general, special revenue, capital projects, enterprise and internal service funds, which cannot exceed appropriation except by approval of the governing body. An annual budget for the capital projects is adopted by individual funds. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. Transfers within the funds are accomplished by resolution of the Board of Mayor and Aldermen to authorize expenditures of various grants received and to adjust the individual fund budgets as required within the total dollar limitations of the budget ordinance. The Mayor may approve transfers between categories within a cost center without the governing body's approval. The Board must approve other transfers or requests for additional funds. Thus, departmental or cost center appropriations comprise a legal spending limit for governmental fund types, except for capital projects funds for which the project length financial plans are adopted. The City disperses its capital projects fund monies to various projects, which may cause a deficit within the project. However, the City adopts a positive Capital Improvements Program where funds can be transferred within the fund with appropriate approval from the governing body. Supplemental appropriations were required during the year and the accompanying budgetary data has been revised for amendments authorized by resolution during the year. The basis of accounting applied to budgetary data presented is consistent with the appropriate basis of accounting for each fund type.

The Capital Projects Funds account for the receipt and disbursement of all resources used in the acquisition and construction of capital facilities where the construction period is expected to exceed one year, other than those financed entirely by Proprietary Fund Types. The primary funding sources are debt proceeds and General Fund transfers. The facilities constructed and assets acquired become a part of the City's fixed assets and are, therefore, recorded in the General Fixed Assets Account Group. The residual equity in Capital Projects Funds, if any, is returned to the General Fund upon completion of the project. The following funds are included in this grouping.

The Major Roads Fund includes projects that create, widen or improve roads or intersections. In addition, this fund provides safe and reasonable access to the commercial developments while maintaining a reasonable level of service for traffic using the roadways.

The Other Transportation Fund includes additional intersections and signals for the city or the improvement of the existing ones. The major purpose of this fund is to provide safe and orderly movement of traffic.

The Fire Department Projects Fund's major objective is to provide adequate fire protection to the city and to maintain the Class 3 insurance rating. The major projects in this fund include the construction of new fire stations, the remodeling or expansion of existing fire stations and major equipment purchases.

The Parks Improvements Fund is needed to meet the intensified demand for additional parkland. In addition, growth and development of new parkland is needed to keep pace with the 2004 Plan for parks and recreation.

The Drainage Projects Fund includes projects that will provide adequate water supply for existing and future population requirements. In addition, this fund consists of sewer projects, such as the provision of sanitary sewers, which are needed when properties are annexed into the City.

The General Government Projects Fund includes miscellaneous projects needed to meet individual departmental demands. The major projects in this fund include the remodeling or expansion of City owned buildings as well as community use buildings and property.

## BUDGET CALENDAR

### January

1/14/11 Budget Material distributed to Departments  
 1/24/11 **Board Meeting** - Budget Calendar review and approval by the Board of Mayor and Aldermen  
 1/28/11 External agencies are notified of submission deadline of 2/11/11 for funding requests

### February

2/01/11 Special Revenue Funds FY12 submissions due to Research and Budget  
 2/04/11 Capital Improvements Program applications deadline  
 2/08/11 **Financial Advisory Commission – First Meeting:** Introduction, Debt Policy and FY11 Update  
 2/11/11 FY12 Budget materials due to Research and Budget; Funding requests by external agencies due to City Administrator  
 2/18/11 Vehicle and equipment replacement schedule review with City Administrator  
 2/21/11 Enterprise Fund FY12 Budget submissions due to Research & Budget  
 2/21-3/04/11 FY12 Budget review with departments  
 2/22/11 **Financial Advisory Commission – Second Meeting:** Review of FY12 Budget Revenue Projections for the General Fund Revenues, Special Revenues and Sanitation

### March

3/22/11 **Financial Advisory Commission – Third Meeting:** Review of FY12 Budget Enterprise Funds (Utility, Germantown Athletic Club, Great Hall, Stormwater and Sanitation) and CIP  
 3/25/11 Review of Preliminary General Fund Revenues and Expenses; Enterprise Funds  
 3/28/11 Board of Mayor and Aldermen – work session on CIP

### April

4/12/11 **Financial Advisory Commission – Fourth Meeting:** Review of FY12 Infrastructure Replacement Program  
 4/22/11 Proposed FY12 Budget and Capital Plan delivered to Department Directors for final comment and review  
 4/26/11 **Financial Advisory Commission – Fifth Meeting:** Review of FY12 Expenditure Projections for the General Fund and Ambulance Services  
 4/29/11 Proposed FY12 Budget delivered to Board of Mayor and Aldermen  
*Budget in Brief* prepared

### May

5/03/11 Document printing RFP due to Purchasing  
 5/04/11 Board of Mayor and Aldermen work session on FY12 Budget  
 5/09/11 **Board Meeting - First Reading on FY12 Budget Ordinance 2011-2**  
 Schedule meetings with Chamber, Homeowner Associations and Civic Clubs;  
 Distribute *Budget in Brief*, Press Conference; Neighborhood News (Budget and Property Tax Rate)

### June

6/13/11 **Board Meeting - Public Hearing on FY12 Budget; Second Reading on FY12 Budget Ordinance 2011-2**  
 6/27/11 **Board Meeting - Third and Final Reading on FY12 Budget Ordinance 2011-2**

